



MEMORANDUM

DATE: September 19, 2019

TO: USAID/El Salvador Acting Mission Director, Laurie de Freese

FROM: USAID OIG Latin America and Caribbean (LAC) Regional Office, through Global and Strategic Audits Division (GSAD) Assistant Director, Pamela Hamilton /s/

SUBJECT: Financial Audit of Fundación Crisálida Internacional Under Multiple Awards in El Salvador, 2018 (9-596-19-039-R)

This memorandum transmits the final audit report on Fundación Crisálida Internacional under the following awards:

| Award Name (Type) | Award Number | Period |
|---|---------------------|--------------------------------------|
| Youth and Community Development: El Salvador, Guatemala, and Honduras (cooperative agreement) | AID-596-A-13-00001 | January 1, 2018 to December 31, 2018 |
| Imagine: The Country we Want (cooperative agreement) | AID 72051918CA00004 | March 15, 2018 to December 31, 2018 |

Fundación Crisálida Internacional contracted with the independent certified public accounting firm BDO to conduct the audit. BDO stated that the contract required them to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

BDO states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have a continuing education program that fully complies with GAGAS requirements and an external peer review because such program is not offered in El Salvador. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Fundación Crisálida

¹ On June 30, 2017, USAID OIG rescinded its “Guidelines for Financial Audits Contracted by Foreign Recipients,” recognizing the Agency’s role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, follows the Guidelines.

International's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate Fundación Crisálida International's internal controls; (3) determine whether Fundación Crisálida Internacional complied with award terms and applicable laws and regulations; (4) determine if Fundación Crisálida Internacional has taken adequate corrective action on prior audit recommendations; (5) perform an audit of the indirect cost rate; and (6) express an opinion on the general purpose financial statements. To answer the audit objectives, the audit firm reported that they assessed and tested the internal controls related to the project; compliance with applicable laws, regulations, the agreement's provisions; and reviewed project expenditures. The audit covered \$2,250,942 of USAID funds for the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited.

The audit firm did not identify any material weaknesses in internal control or instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm issued a management letter which included a minor internal control deficiency.

The audit firm determined that the recipient has taken adequate corrective actions on prior audit report recommendations.

The audit firm concluded the general purpose financial statements presented fairly, in all material respects, the financial position of Fundación Crisálida Internacional as of December 31, 2018. Furthermore, the audit firm stated that the schedule of computation of indirect cost rate was fairly stated in all material respects in relation to the general purpose financial statements taken as whole. However, we noted in our review of the indirect cost rate schedule that the indirect cost rate was not calculated correctly. We are not making a formal recommendation on this issue; however we bring this to the Mission's attention to verify that Fundación Crisálida Internacional corrects the indirect cost rate schedule detailed on page 43 of the audit report.

Based on the results of the desk review, OIG is not making any recommendation to USAID/EI Salvador.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

² We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.